



**Montana Board of Housing
Housing Affordability in High Growth Areas**

June 2006

The Montana Board of Housing (MBOH) is a state agency charged with the task of assisting low and moderate-income first-time homebuyers achieve the dream of homeownership by providing lower cost long-term financing than that available through market-rate housing loans. MBOH does not use any state tax dollars. Since 1977, MBOH has helped over 35,000 Montana families with over \$2.1 billion in financing from the sale of tax exempt bonds. However, with slow-rising incomes and quickly rising homes prices, buying one's first home has become more challenging in recent years in parts of Montana where the demand for housing has outpaced supply.

MBOH's typical homebuyer is a hard-working Montana family whose average annual income is about \$35,000. Allowing 25-30% of this income for the principal and interest portion of a mortgage payment, MBOH's average buyer can qualify for about \$122,000-\$146,000 towards the purchase of a home. As of March of 2006, the upward limit that MBOH programs can finance for a first mortgage is \$200,160. Homes that fit under this price limitation are increasingly difficult to locate in much of western Montana. Without a supply of homes in this price range, these Montana families will be unable to move into homeownership.

In the most rapidly-growing areas of Montana, land costs contribute the greatest share of the increase in housing costs for those housing units available to our homebuyers. For example, it was not unusual for the lot beneath a modest home in an urban area to have cost about \$15,000-\$20,000 not too many years ago, but to be valued at \$70,000 or more now. If new homes are to fit the price range of MBOH buyers, the land beneath the homes must be more affordable, most likely resulting in smaller lots.

The characteristics of a community's housing stock determine who can afford to live and own a home in the community. All rapidly-growing communities need to consider higher density housing developments (lowering per unit land costs) on public water and sewer systems to offer the only opportunity for new construction homes to fit the incomes of many MBOH buyers. Construction of additional housing on land already served by public water and sewer (infill) also helps to lower the cost of housing. "Public" as defined by the Montana Department of Environmental Quality is based on a minimum size that serves 15 or more families or 25 or more persons daily.

MBOH does not endorse any particular project, but asks that all communities consider affordable housing as one key factor as they prepare local growth policies.

For more information on the Montana Board of Housing, visit our website at: www.housing.mt.gov .